

THE TRANSPORTATION LINK



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Director of the
Office of Small and
Disadvantaged
Business
Utilization

I am proud to announce that on January 29, 1999, a final rule revising the Department of Transportation's disadvantaged business enterprise (DBE) program was released. This rule contains changes that will refocus and more firmly establish the DBE program. This edition features the release of the DBE regulations. All of us at OSDBU look forward to working with you in implementing the roll-out of this important initiative.

This month's *Link* also highlights an exciting program that I encourage you to be aware of. The Small Business Innovation Research (SBIR) Program encourages small businesses to participate in the development and commercialization of technological innovations. Please take the time to learn more about this program.

Our *Success Story* this month features Avalon Integrated Services Corporation. At OSDBU, we are very proud that our Short Term Lending Program assisted them in attaining the success they have today.

As many of you know, February is universally recognized as Black History Month and is a celebration of the unparalleled historical contributions of African Americans to our collective cultural tapestry. Please take the opportunity to learn more about Black History and discover how African Americans changed, and continue to shape, the destiny of this nation.

DOT Revises DBE Rule

New Rule Promotes Fair Competition and "Mends" DOT's DBE Program

As the *Transportation Link* went to press, Secretary of Transportation, Rodney Slater, announced a final rule revising DOT's disadvantaged business enterprise (DBE) program under the Disadvantaged Business Enterprise provision of the Transportation Equity Act for the 21st Century (TEA-21).

The DBE program is intended to remedy past and current discrimination against DBEs, ensure a "level playing field" and foster equal opportunity in DOT-assisted contracts. This new rule promotes fair competition for federally assisted highway, transit and airport contracts while addressing calls to 'mend' affirmative action programs.

"The rule is a centerpiece of President Clinton's initiative to 'mend not end' affirmative action programs," Secretary Slater said. "It responds to the way Congress, the courts, and the public have told us that an affirmative action program should be run."

The former DBE regulation now contains only the rules for the separate airport concessions DBE program. The new regulation



modifies the Department's DBE program to reflect developments in case law requiring "narrow tailoring" of such programs, and responds to last year's congressional debate concerning the continuation of the DBE program.

It also reflects comments on the Department's December 1992 notice of proposed rule-making (NPRM) and its May 1997 supplemental notice of proposed rule-making (SNPRM).

DOT Revises DBE Rule

This revision ensures that only genuinely disadvantaged individuals and businesses participate in the program. Businesses not meeting Small Business Administration (SBA) criteria to qualify as a 'small business,' and individuals exceeding a \$750 thousand personal net worth cap, will both be excluded from participating.

In addition, the new rule meets the constitutional standard that requires affirmative action programs to be "narrowly tailored" in several ways. First, State and local agencies receiving DOT funds must set overall goals based on demonstrable evidence of the relative

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Secretary Slater

OSDBU

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availability of willing and able DBE's in the recipient's geographical region. These overall goals represent the DBE participation that recipients could realistically expect notwithstanding discriminatory practices.

Secondly, the rule requires recipients to use race-neutral methods, such as outreach and technical assistance, to meet their DBE goals before they may consider race-conscious means to meet these goals. This gives recipients more administrative flexibility to achieve its nondiscriminatory objectives, while operating their DBE programs in a manner compatible with local demographic conditions.

The rule encourages recipients to aspire to the goals of their program, and prohibits recipients from using quotas to meet particular numerical targets.

In an attempt to streamline the administration of the program, state highway, transit and airport agencies will work together to create a 'one-stop-shopping' certification process. Small businesses seeking DBE eligibility will have to process only one application to work as a DBE for any DOT recipient in that state. Eligibility procedures and standards are streamlined also.

OSDBU has posted the DBE final rule, as well as summary and analysis documents on the rule, on the OSDBU web site at <http://osdbuweb.dot.gov/programs/dbe/dbe.htm>

At a later date, the DOT will release a final rule governing the DBE program for airport concessions. Be sure to look for this, and other late breaking OSDBU news, in future editions of the *Transportation Link*.

For more information on the DOT/DBE final rule, visit the OSDBU web site at <http://osdbuweb.dot.gov/programs/dbe/dbe.htm> or call Bob Ashby at (202) 366-9306. For more information regarding TEA-21, visit <http://osdbuweb.dot.gov/istea.htm>

Small Business Innovation Leads To Big Opportunities

Since its establishment by Congress in 1982, the Small Business Innovation Research (SBIR) Program has encouraged the development and commercialization of technological innovations, expanded opportunities for small firms, created the development of new products and services.

Moreover, the SBIR program has improved the competitiveness of the nation's high technology industry.

Congress created the SBIR Program encourage private sector initiative and to involve small businesses as effectively as possible in meeting federal research and development (R & D) objectives. It is the primary vehicle through which the federal government funds R&D projects at small technology companies.

In accordance with the Small Business Act of 1982, all federal agencies with a R&D budget exceeding \$100 million must allocate a percentage to fund a SBIR program. The percentage was phased in to 1.25% by fiscal year (FY) 1987. In 1992, with the passage of the Small Business Research and Development Act, Congress expanded the SBIR program and sharpened the program's emphasis on private sector commercialization.

The act boosted the SBIR percentage allocation from 1.25% in FY 92 to 1.5% in FY 93 and FY 94. It was increased to 2% in FY 95 and FY 96, and to 2.5% in FY 97 and thereafter.

Prior to the passage of the Small Business Development Act, a disproportionate amount

of federal R&D money was provided to large firms. Federal R & D organizations fell into a practice of contracting to large, well-established R&D firms with the perception that this was the most efficient use of funds. However, studies have shown that small innovative firms provide more benefit per research dollar than large

firms and are the most prolific source of new technologies. The SBIR Program has capitalized on the efficiency of small businesses and increases the number of innovations developed through federal R&D funds.

BENEFITS

The primary benefit of a federal SBIR Program project to a small business is the award of up to \$850,000 of seed money to explore the business's own technical ideas. This seed money can prevent the business from incurring debt and it protects them from losing company control or equity.

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The SBIR Program's goal is the commercialization of the products developed and to further capabilities that expand the business base for their creators. Small businesses are encouraged to use federal resources for their own benefit while delivering products and services of value to the SBIR Program.

While the federal government has royalty-free rights to the use of products and data developed under the SBIR program, each small business maintains ownership of resultant data, copyrights, and patents. SBIR regulations require the government to protect the data from public dissemination for four years after the end of an SBIR contract while providing the SBIR contractor with the advantage of sole use of the data in the private sector.

Winning a SBIR contract has given new companies credibility in their search for capital, and exposure that has led to additional growth and opportunities.

DOT's SBIR PROGRAM

The US Department of Transportation (DOT) SBIR Program is coordinated by the Research and Special Programs Administration at the Volpe National Transportation Systems Center in Cambridge, Massachusetts. Joseph D. Henebury is the DOT SBIR Program Director.

Within DOT, eight operating administrations participate in the SBIR Program: Federal Aviation Administration (FAA), Federal Highway Administration (FHWA), Federal Railroad Administration (FRA), Federal Transit Administration (FTA), Maritime Administration (MARAD), National Highway Traffic Safety Administration (NHTSA), Research and Special Programs Administration (RSPA) and the United States Coast Guard (USCG).

Annually, each DOT administration develops research topics for the DOT SBIR Program Solicitation, which reflect their own high priority transportation R&D missions. Each administration's R&D requirements are guided by the President's National Transportation Policy.

THE DOT SBIR PROCESS

The DOT SBIR Program is a competitive contract award process with three phases. In mid-February, the DOT SBIR Solicitation for Phase I proposals is released on the DOT SBIR Web Page: www.volpe.dot.gov.

The DOT SBIR Solicitation contains a listing of all of the current SBIR topics for which research is being solicited, along with the forms for the submission of a Phase I proposal and a proposal preparation checklist. It describes the proposal evaluation process and lists additional sources for scientific and technical information.

Phase I proposals are due in the first week of May, when they are pre-screened for basic requirements, and are then evaluated by DOT technical staff. All small businesses are notified of their proposal status by letter in early October.

Phase I is for the conducting of feasibility-related experimental or theoretical research on a DOT SBIR topic. The maximum value of a Phase I award is \$100,000, however, each agency may set lower values. The period of performance for Phase I research may be up to six months.

The primary factors for Phase I award are the scientific and technical merit of the proposal, and its relevance to DOT requirements. At the completion of the Phase I study, the contractor is invited to submit a Phase II proposal to continue the research as a Phase II project.

Phase II is the principal research or R&D effort. Phase II awards are based on the results of the Phase I efforts, technical merit, agency priority, commercial applications, and the availability of funds. Phase II awards have a period of performance of approximately two years, with a maximum dollar value of \$750,000. Each agency has the prerogative to limit the dollar value to a lesser amount.

In Phase III, the successful contractor pursues the commercialization of the innovation developed in Phase II. The

financial resources needed must be obtained outside the funding set aside for SBIR. Private sector investment in various forms is the usual vehicle for the Phase III process. A federal agency may also fund Phase III activities for follow-on development or production of an innovation beyond Phase II for its own use.

ELIGIBILITY

To be eligible for participation in the SBIR Program, a small business must be independently owned by US citizens or permanent resident aliens and operated in the US. It must be organized for profit, and cannot be dominant in its field of expertise. The total number of people under the company's employ (including any affiliates) must not exceed 500.

The principle investigator named by the company must be technically qualified, and must have primary employment with the firm at the time of award and during the course of the project. For further information on eligibility requirements, consult the DOT SBIR Program Solicitation.

The US DOT SBIR Solicitation and information on the SBIR Program are available on the Internet at the US DOT SBIR Web Site: www.volpe.dot.gov/sbir.

The SBIR Program does not maintain a mailing list for paper copies of the SBIR Solicitation. You may register to be notified when the next DOT SBIR Solicitation is released on Internet at: www.volpe.dot.gov/procure/index.html.

Additional questions on the US DOT SBIR Program, should be directed to : Joseph D. Henebury, DTS-22 US DOT SBIR Program Director, US DOT SBIR Program Office, RSPA/Volpe Center 55 Broadway Cambridge, MA 20142 Phone: (617) 494-2051 Fax: (617) 494-2370

Recent 8(a) Grads Take Their Performance to the Bank

This month's *Success Story* features a recent 8(a) graduate, Avalon Integrated Services Corporation, an Arlington, VA based company founded in 1989 by Donovan and Jessica Beauchamp.



Avalon Founders Jessica and Donovan Beauchamp

Avalon is the product of the Beauchamp's vision to assist the transition of federal customers into Electronic Government and to improve overall customer service for agency constituents.

Avalon's corporate growth strategy centered on establishing an exemplary performance record that led to more contracts and larger revenue streams. In 10 years, Avalon has grown from two employees grossing \$30 thousand, to 30 employees grossing \$3 million.

Without the DOT Short Term Lending Program (STLP) however, Avalon may have never lifted off the ground. After founding the company, the Beauchamps sought financing from commercial lenders to support the firm's DOT contracts.

Even though the Company had established banking relationships and a good borrowing track record, commercial financial institutions were disinterested in financing Avalon's expansion.

"Commercial lenders told us that lines-of-credit between \$100 thousand and \$500 thousand were not sufficiently profitable to be worth their trouble," explains company cofounder, Donovan Beauchamp. "Even when a small business uses signed Federal contracts as collateral."

At this point, DOT's STLP helped the Beauchamp's secure a \$250 thousand line-of-credit with their STLP partner, Hamilton Bank in Miami, FL. This financing gave the Company the opportunity to successfully execute contracts

with the Federal Highway Administration, the Maritime Administration, and the Office of the Secretary at DOT.

In 1995, the Maritime Administration named Avalon the Minority Enterprise of the Year. Recently, Avalon graduated from the 8(a) program. They applied for—and received—a \$1 million line-of-credit with no federal assistance.

"We view our accomplishments working with DOT as some of the most rewarding work in which we have ever participated," says Jessica Beauchamp on Avalon's ongoing relationship with DOT.

"Participating in communications and technology programs devoted to reducing highway-related fatalities is of vital national importance and we are proud to have been given an opportunity to contribute."

Specifically, federal customers outsource to Avalon, communication functions including electronic and print publishing, video and CD ROM development, as well as developing and maintaining Internet sites.

"We envision a future where government interacts with their customers and strategic partners the way consumers interact with ATM machines and public kiosks," says Mr. Beauchamp, who holds an Electrical Engineering Degree from Massachusetts Institute of Technology (MIT).

"In the future, this communication method will save billions of taxpayer-dollars while increasing government responsiveness."

For more information about Avalon, call (703) 358-9000 or visit their web site at: <http://www.avalon-ais.com>. For more information on the STLP and STLP banks, visit the OSDBU web site at: osdbuweb.dot.gov/program.htm

Collection of State DBE Sites

Wouldn't it be great if there was one central Internet location where state disadvantaged business enterprise (DBE) program sites were listed? On the OSDBU web page we have done just that. At <http://osdbuweb.dot.gov/statedbe.html> all of the state DOT home pages, and any state DOT sites that pertain to the state DBE program or link to a database of DBEs certified in that state, are all listed on one page.

So far, about 30 states have sites pertaining specifically to their DBE programs. As more states start posting DBE information, we will be updating this page on a regular basis.

If you know of a site that contains good DBE information, please tell us about it in the feedback section of the OSDBU web site at <http://osdbuweb.dot.gov/feedback.htm>

We're always looking for more useful information to provide for our customers!

Editor's Note

The Printing of the Transportation Link was delayed this month so we could provide you with information on the new final DBE Rule (see page 1).

Ensuring that the Link includes news of critical importance and relevancy to our valued audience is the editorial staff's primary mission.



T H E M O V E M E N T

Historical Civil Rights Page

OSDBU encourages you to view a fascinating web site entitled *Historic Places of the Civil Rights Movement* at <http://www.nps.gov/crweb1/civilrights/index.htm>

The history of the Civil Rights movement is brought to life on this site through a descriptive discussion on the modern Civil Rights movement, biographies of key participants, and a large collection of photographs.

The site features a U.S. map indicating specific historic landmarks of the Civil Rights movement. You can click each property to learn more about it.

This site is a partnership project produced by the U.S. Department of Interior, National Park Service, U.S. Department of Transportation, The Federal Highway Administration, and the National Conference of State Historic Preservation Officers.

New Y2K Web Page for Transportation Community

President Clinton created the *President's Council on Y2K Conversion* as part of a government-wide effort to minimize the Year 2000 (Y2K) problem. This Council decided to use an economic sector methodology to address the Council's Y2K outreach activities and the Department of Transportation (DOT) was designated lead agency in the transportation sector of the economy.

As part of that effort, DOT created the *Y2K Transportation Sector* web site which can be viewed at <http://www.y2ktransport.dot.gov/> The purpose of this site is to:

- Serve as a comprehensive clearinghouse for Y2K information sharing among the transportation community
- Disseminate government wide Year 2000 policies
- Provide links to other useful Year 2000 sites.

The site is divided into a clear-cut description of the problem, suggested solutions, and other sources of information. An extensive searchable database of outreach activities is included also.



To learn more about the Y2K problem, read "Identifying Hidden Year 2000 Issues" in the Oct. 1998 edition of the *Transportation Link* which can be viewed on the OSDBU web site at osdbuweb.dot.gov/transport-link/oct98/index1.htm#TOC1

New STLP Manager at OSDBU



Nancy Strine

OSDBU welcomes Nancy Strine as the new Short Term Lending Program (STLP) manager at OSDBU. Starting in February, Nancy will take the lead on this important DOT initiative.

This program is designed to lend short-term working capital in the form of revolving lines of credit, to certified disadvantaged business enterprises performing on transportation-related contracts.

Strine, who holds a Masters Degree in Public Administration, has an extensive background with community development loans at the local, state and federal levels. For the past six years, she has worked as a Financial Analyst in the Office of Planning at the Federal Transit Administration (FTA).

The OSDBU staff wishes to extend a warm welcome to Nancy and looks forward to working with her in the future!

Nancy Strine can be contacted by phone at (800) 532-1169 or by e-mail at Nancy.Strine@ost.dot.gov.

CALENDAR OF EVENTS FOR February/March 1999

Date	Place	Contact
February 17	How to Start a Successful Business Atlanta, GA. Sponsored by SCORE	Eddie Wolpaw (404) 347-2442, ext. 105
February 18	DOT OSDBU Louisiana Transportation Marketplace Hotel Monteleone New Orleans, LA	Nelson Quinones (800) 532-1169 (202) 366-9886 http://osdbuweb.dot.gov/main.shtm
February 22-23	30th Annual Minority Business Opportunity Day Trade Fair Los Angeles, CA Sponsored by L.A. Chamber of Commerce	Faye Beck (213) 380-7114
February 25	Small Disadvantaged Business (SDB) Certification & Eligibility Seminar Atlanta, GA	MBE Legal Defense & Education Fund Inc. 1-800-357-8369 SDB@sba.gov
March 9-10	North Carolina SBIR/STTR Statewide Conference Winston Salem, NC Sponsored by Small Business Technology Develop. Center	Kay Etzler (919) 962-8297 ketzler@sbtdc.org
March 9	'Starting & Operating Your Own Business' Workshop, 8:30am-3pm Los Angeles, CA Sponsored by SBA	SCORE (818) 552-3206
March 11	FAA West Coast Small Business Procurement Conference Tacoma, WA	Showworks Inc. (509) 838-8755 or e-mail showworks@showwork.com

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